

How a B2B Electrical Contractor Sold for \$1.3 Million

After an Unsolicited Offer Made the Real Number Clear

The Situation

A commercial electrical contractor came to us generating \$1,750,000 in annual revenue. Industrial fit-outs, office and retail electrical installations, switchboard upgrades, and periodic maintenance work across a two-state region. A solid project pipeline, a crew of fifteen that knew what they were doing, and a reputation built on showing up when others did not.

Daniel had been running it for fourteen years. The phone kept ringing. The crew kept busy. The business paid well enough that he had never felt the urgency to look too closely at what it was actually worth.

Then an approach arrived. A regional electrical services group was looking to expand and had identified his business as a target. They put a number on the table. Daniel called us the same day.

The number they offered was not unreasonable given what the business was. That was the problem.

Gross margin was 38%. Net profit was 9%, \$158,000 on \$1,750,000 in revenue. Every significant project ran through Daniel. He was the estimator, the key client contact, and the person who resolved anything that went sideways on site. The business had no recurring revenue. Every month started at zero. There were no service agreements, no maintenance contracts, nothing that gave a buyer confidence in what the next twelve months would look like without Daniel in the room.

The offer reflected all of that accurately. At 2.0x SDE the business was worth around \$315,000. A fair number for what it was. Not a fair number for what fourteen years of building something had produced.

He came to us for the same reason most owners do. He wanted more from the business, more profit now, and if a sale was ever going to happen, a number that actually reflected what he had built. The approach had forced a question he had been putting off. The answer required work.

We installed six drivers over the following engagement. Here is what happened.

Driver 1: Profit Recovery

We start every engagement by looking for profit that is already inside the business but leaking out. In electrical contracting, that leakage is almost always in the estimating and

billing process, and it is largely invisible to owners who are focused on getting jobs done rather than managing margin.

Job costing was the first place we looked. Estimates had been built on experience and historical rates rather than fully loaded cost builds. Labor burden, which in electrical contracting includes payroll taxes, workers compensation, benefits, and tool and vehicle allocation, was being underestimated consistently on bids. When we mapped actual job costs against what had been quoted, several job types that felt profitable were not once the real numbers were in the picture.

Materials markup was inconsistent. Smaller material orders were being marked up at the same rate as bulk purchases, which had never been reviewed against current supplier pricing. A purchasing audit identified consolidation opportunities and renegotiated terms on the top supplier relationships.

Change orders were the biggest single leak. Scope additions on commercial fit-outs, client-driven delays that extended labor hours, and specification changes after work had begun were regularly being absorbed rather than billed. Not because Daniel had decided to absorb them. Because there was no formal process to capture them before the job closed. A change order protocol was implemented. Clients accepted it. It was presented as professional project management, not as an attempt to extract more from the relationship.

Combined, the profit recovery work added \$74,000 in annualized profit before a single thing changed on the revenue side.

Driver 2: Market Dominance

Commercial electrical is a competitive market. Most contractors compete on price, availability, and some version of reliability. Clients put projects out to bid. Decisions come down to the lowest credible number from a licensed operator.

Daniel's strongest client relationships were with commercial property management companies and building owners running multi-site portfolios. Office parks, mixed-use commercial developments, retail centers. These clients had predictable, recurring electrical needs across multiple buildings and a genuine operational interest in working with one trusted contractor rather than rebidding every job. They valued reliability, fast response, and a contractor who already knew their buildings. What they had been getting from Daniel was all of that. What they had not been offered was a structured relationship that reflected it.

We repositioned the business around a specific promise to commercial property managers and portfolio owners: a single trusted electrical contractor for everything across your buildings, managed proactively rather than reactively. Not as a marketing claim but as an operational commitment backed by the maintenance program and account management structure we built in the subsequent drivers.

The repositioning changed the dynamic in new business conversations. Property managers who had been treating electrical work as a commodity brief started asking different questions. Two commercial real estate groups that had been managing multiple electrical contractors across their portfolios began consolidation conversations.

Daniel did not walk away from his general project base. That work continued. What changed was that the property management positioning gave the business a defensible identity in a crowded market and a clear reason for clients to consolidate their electrical spend with one contractor rather than shopping every job.

Driver 3: Pricing Power

Pricing had not been seriously reviewed since the business was half its current size. Rates had held in place to stay competitive on bids. Cost increases in labor and materials had been absorbed rather than passed through. The instinct was understandable. In a market where jobs are won on price, raising rates feels like handing the work to a cheaper competitor.

We rebuilt the estimating model from scratch.

First we established true job costs across every work type in the portfolio. Labor at fully loaded rates, materials at current supplier pricing with correct markup applied, vehicle and equipment allocation, project management overhead, and insurance allocation by job type. When the numbers were laid out properly Daniel recognized immediately that several bread and butter job types had been underpriced for years. Not dramatically. Consistently enough that the margin erosion had compounded across hundreds of projects.

The property management positioning created something that had not previously existed: a legitimate basis for premium pricing. A contractor who manages the full electrical program across a portfolio of buildings, responds to faults on a priority basis, keeps compliance documentation current, and eliminates the management overhead of dealing with multiple contractors is delivering a fundamentally different service than a contractor who turns up, does the job, and sends an invoice. That operational value commands a premium that commodity project bidding does not.

A tiered pricing model was built. Standard project rates for transactional commercial work, a portfolio program rate for property managers committing to a multi-site relationship, and a premium managed program rate for clients requiring priority response, scheduled compliance work, and consolidated reporting across their buildings.

Base rates were adjusted upward to reflect true costs. Two clients who had been buying purely on price moved on. Daniel held the line. The portfolio program attracted replacement work at significantly better margin.

The repricing added \$91,000 to annualized net profit.

Driver 5: Recurring Revenue

This was the driver that changed the business most fundamentally, and the one that moved the exit multiple most significantly.

When Daniel came to us the business had no recurring revenue. Every month started at zero. The pipeline was healthy because Daniel was good at his job and the phone kept ringing. But from a buyer's perspective, a project-only electrical contractor is a collection of client relationships that exist because of one person. Remove that person and the revenue is uncertain. That uncertainty is priced directly into the multiple.

The opportunity was sitting in the existing client base. Daniel had been doing periodic maintenance work for commercial clients for years. Switchboard inspections, testing and tagging, emergency lighting compliance checks, periodic thermographic scanning. All of it was being done reactively, invoiced at day rates, and treated as occasional revenue rather than a structured program.

Property management clients were the natural starting point. A building manager responsible for twelve commercial properties does not want to think about electrical compliance. They want to know it is handled, documented, and not going to produce a nasty surprise during a building inspection or a tenant complaint. We built a preventive electrical maintenance program and offered it formally to the existing property management client base. Annual compliance inspections, scheduled testing and tagging, priority response for electrical faults, and a single annual invoice per property rather than ad hoc billing. The response was immediate. Several property managers who had been managing electrical reactively converted within weeks because the program solved a genuine operational problem for them.

Eight clients converted to annual maintenance agreements at an average of \$18,000 per year. That added \$144,000 in recurring revenue annually at a gross margin significantly above the project work, because the labor is scheduled, the scope is defined, and the materials component is minimal.

The impact on exit value was direct. A buyer acquiring this business was no longer acquiring a project pipeline dependent on one person. They were acquiring \$144,000 in contracted recurring revenue that would continue regardless of who ran the business. That changes the conversation entirely.

Driver 6: Strategic Partnerships

Daniel had supplier relationships and some informal referral connections built over fourteen years. Work came in through reputation and repeat clients. Nothing was being actively built.

We identified three referral partner categories that served the same client base.

Commercial real estate agents and property brokers. These are the people in the room when buildings change hands, when leases are signed, and when fit-outs are commissioned. A new landlord taking on a commercial building needs an electrical contractor immediately. A tenant fitting out a new space needs one within days. A structured referral program was built with named contacts at the top local commercial real estate agencies and property brokers. Priority response guarantees on referrals, clear communication back on project status, and mutual referral agreements that made working with Daniel the obvious choice when a client needed electrical work.

Mechanical and HVAC contractors. These trades work alongside electrical contractors on every significant commercial fit-out and facilities project. Formal mutual referral agreements with the top operator in each category meant that electrical inquiries landing with HVAC contractors, and vice versa, were directed rather than lost.

Building and facilities management consultants. This group advises property owners and managers on the operational running of their buildings. A co-education approach was developed that positioned Daniel's business as the electrical partner of choice for commercially managed properties. Several consultants began recommending the business by name to clients looking to consolidate their electrical contractor relationships.

Referral volume from structured partnerships increased 30% compared to the prior period.

Driver 7: Business Autonomy

Every improvement above was real. None of it was transferable to a buyer if Daniel remained the critical path on every project, every estimate, and every client relationship.

This was the same issue that had produced the unsolicited offer number that started the conversation. The buyer who approached Daniel had done their homework. They knew the revenue was tied to him. They priced accordingly.

When we started, Daniel was the lead estimator on every project, the main contact for every significant client, and the person who resolved anything that went sideways on site. The crew was experienced and capable. None of them had the authority, the process, or the information to run the business without him.

We documented every core process. Estimating methodology, job costing templates, project scheduling, site supervision protocols, client reporting, change order management, invoicing, and the maintenance program delivery standards. Each process assigned to a role with clear accountability and a defined output. The estimating process in particular had lived entirely in Daniel's head. Getting it out of his head and into a documented system that a project manager could follow was the work that made everything else permanent.

A project manager was promoted from within. One of the senior electricians had been with the business for nine years and had been informally managing the smaller crews

for years without a title or a structure to match. We built the role, the accountability framework, and the handover process. The project manager took over day-to-day site management and client communication on established accounts. Daniel moved into a principal role, reviewing estimates, maintaining the property management relationships, and focusing on the partnership program that was driving the best new work.

A simple operating dashboard was built. Eight numbers: active projects by stage, revenue in pipeline, confirmed revenue, gross margin by project type, maintenance contract revenue, referral volume, outstanding receivables, and owner hours per week. Visible weekly without anyone having to compile it.

As the business autonomy work took hold Daniel was in the business fifteen hours a week instead of sixty. He used the recovered time to focus on the property management relationships and the real estate referral network that were driving the highest-value new work.

The Result

At sale, annualized revenue had moved from \$1,750,000 to approximately \$2,090,000. Driven by the property management niche repositioning, the pricing restructure applied across the existing project base, the \$144,000 in new recurring maintenance revenue, and the 30% lift in referral volume from the partnership program.

Net profit moved from \$158,000 to \$437,000. Net margin moved from 9% to 21%. That improvement did not apply only to the new revenue. The job costing rebuild, the change order process, the materials purchasing renegotiations, and the broader pricing discipline from the profit recovery work changed the margin profile across every project the business ran. The improvement compounded across both old and new volume simultaneously.

Worth stating plainly: every year that profit ran at \$437,000 instead of \$158,000, Daniel put an additional \$279,000 in his pocket. The work that built the exit value also paid him significantly more along the way. More profit now, more value at exit. The same work delivers both.

The exit multiple achieved was 3.0x SDE. The sale price was \$1,311,000.

When the unsolicited approach arrived the honest estimate of what the business was worth was around \$315,000. The difference between that number and \$1,311,000 is not a different market or a different economy. It is deliberate work across six drivers.

The buyer was a regional electrical services group, the same category of acquirer that had made the original approach. This time the business they were acquiring was fundamentally different. Contracted recurring revenue. A project manager running day-to-day operations. Documented processes. A property management niche with a defensible market position. A referral network producing consistent new work. Daniel was not required to stay. He consulted for sixty days at his discretion and was done.

The approach that started the conversation had done him a favor. It forced a question he had been putting off. The answer turned out to be worth \$996,000 more than the number on that first offer.

The Numbers at a Glance

	Before	After
Annual Revenue	\$1,750,000	\$2,090,000
Net Profit	\$158,000	\$437,000
Net Margin	9%	21%
Gross Margin	38%	44%
Recurring Revenue	None	\$144,000 annually
Owner Hours in Business	60+ hrs/week	15 hrs/week
Ops Dependency on Owner	Near total	Project manager handling day-to-day
Exit Multiple	2.0x SDE	3.0x SDE
Est. Value at Entry	~\$315,000	—
Sale Price Achieved	—	\$1,311,000

Is This Relevant to Your Business?

Daniel did not come to us because the business was failing. He came because an unsolicited offer made the gap between what the business was worth and what he had built visible for the first time.

A project-only business with no recurring revenue, full owner dependency, and no documented systems will be valued as exactly that, regardless of how good the work is or how long the business has been running. The multiple reflects the risk a buyer is taking on, not the quality of what has been built.

The work required to close that gap is the same work that makes the business more profitable in the meantime. You are not choosing between profit today and exit value tomorrow. You are doing both simultaneously.

The systems installed here are not electrical contracting specific. They are the same drivers we install in every owner-operated B2B business in the \$750K to \$5M revenue

range where the fundamentals are sound but the business has not yet been built to run, grow, and sell without the owner at the center of everything.

If an unsolicited approach has landed on your desk, or you are simply starting to think about what comes next, the conversation worth having is not about whether to sell. It is about what the business needs to become before that decision is made.

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